

## Press Release

### Friends Fab Form Private Limited

June 29, 2018

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.10.00 crore bank facilities of Friends Fab Form Private Limited (FFFPL). The outlook is '**Stable**'.

Friends Fab Form Private Limited (FFFPL) based at Thane (Maharashtra) was incorporated in 1989. The company is led by Mr. Nishith R. Shah and Mr. Jayesh Shah. FFFPL is engaged in designing and manufacture of critical chemical process equipments such as columns, heat exchangers, boilers and Class I Pressure vessels among others. The company caters to several industries including petroleum, fertilisers, to name a few.

### Key Rating Drivers

#### Strengths

- **Experienced management and established track record**

FFFPL was incorporated in 1989 by Mr. Nishith R. Shah and Mr. Jayesh Shah. It has established market presence over the years in domestic as well as International market such as Egypt, Canada, Houston (USA) and Saudi Arabia. The promoters have more than three decades of experience in the same line of business and their network has helped to establish longstanding relationships with their customers and suppliers.

- **Improved revenue and margins**

The operating revenue of the company has improved from Rs.10.30 crore in FY2017 to Rs.15.04 crore in FY2018 (Provisional) which has grown by 46.00 percent from the previous year. The operating margin and PAT Margin has also improved to 9.89 percent and 4.14 percent in FY2018 (Provisional) from 5.17 percent and 1.07 percent in FY2017.

- **Moderate financial risk profile**

FFFPL's financial risk profile is moderate with low net worth of Rs.2.93 crore as on 31 March, 2018 (Provisional). The gearing (debt-equity) stood comfortable at 0.37 times as on 31 March, 2018 (Provisional) as against 0.97 times as on 31 March, 2017. The company does not have any principal obligations to the bank as it does not have any long term debt. The Interest Coverage Ratio (ICR) is healthy and stood at 3.07 times in FY2018 (Provisional) as compared to 1.96 times in FY2017. The Debt Service Coverage Ratio (DSCR) stood at 2.49 times in FY2018 (Provisional) as compared to 1.73 times in FY2017.

- **Reputed customer base**

FFFPL caters to reputed customers such as Reliance Industries Ltd., Kirloskar Pneumatic Co. Ltd. and Deepak Fertilisers among others.

## Weaknesses

### • Working capital intensive operations

FFFPL's operations are working capital intensive with high Gross Current Assets (GCA) of 233 days in FY2018 (Provisional) and 349 days in FY2017. The GCA days stood high on account of high inventory levels of 181 days in FY2018 (Provisional) and 255 days in FY2017. However, average cash credit utilisation stood moderate at ~51.50 percent in the last financial year ended 31 March, 2018.

### • Susceptibility of profit margins

The profitability is susceptible to volatility in raw material prices of metal and steel products. Further, the company operates in a highly fragmented and competitive industry which consists of a large number of organised and unorganised players.

## Analytical Approach

Acuite has considered the standalone business and financial risk profiles of FFFPL to arrive at the rating.

## Outlook: Stable

Acuite believes that FFFPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position.

## About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.04	10.30	13.67
EBITDA	Rs. Cr.	1.49	0.53	1.58
PAT	Rs. Cr.	0.62	0.11	0.70
EBITDA Margin	(%)	9.89	5.17	11.53
PAT Margin	(%)	4.14	1.07	5.12
ROCE	(%)	34.89	10.98	39.81
Total Debt/Tangible NetWorth	Times	0.37	0.97	0.52
PBDIT/Interest	Times	3.07	1.96	4.26
Total Debt/PBDIT	Times	0.73	3.74	0.92
Gross Current Assets (Days)	Days	233	349	141

## Status of non-cooperation with previous CRA (if applicable)

None

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

## Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
30-Mar-2017	Cash Credit	Long Term	2.00	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	2.90	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Assigned)
	Proposed Letter of Credit	Short Term	0.10	ACUITE A4+ (Assigned)

## \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.90	ACUITE A4+ (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A4+ (Reaffirmed)

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**About Acuite Ratings & Research:**

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